

Message Text

LIMITED OFFICIAL USE

PAGE 01 ANKARA 03344 280544Z

56

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 ERDA-05 CEA-01 FEAE-00

FPC-01 INT-05 SAM-01 OES-06 STR-04 AGR-05 /114 W

----- 027562

R 271501Z APR 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 3346

INFO AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

LIMITED OFFICIAL USE ANKARA 3344

E.O.11652: N/A

TAGS: BDIS, BGEN, EFIN, TU

SUBJECT: PROBLEMS OF US BUSINESS FIRMS IN TURKEY

1. I CALLED ON FOREIGN MINISTRY SECRETARY GENERAL
ELEKDAG APRIL 27 TO DISCUSS PROBLEMS ENCOUNTERED BY
US BUSINESS FIRMS IN TURKEY. I SAID I WANTED TO
SHARE WITH ELEKDAG MY CONCERN OVER THE NUMBER OF REPORTS
WE HAVE BEEN GETTING FROM BUSINESS FIRMS WITH REGARD
TO DIFFICULTIES ENCOUNTERED IN THEIR ACTIVITIES IN TURKEY.

A. IN THE PHARMACEUTICAL SECTOR THE US COMPANIES
HAVE IN PARTICULAR COMPLAINED OF BEING SQUEEZED BETWEEN
RISING COSTS AND LIABILITIES AND PRICE RESTRICTIONS
IMPOSED BY THE GOVERNMENT OF TURKEY WHICH MADE IT
IMPOSSIBLE FOR THE COMPANIES TO COVER THEIR COSTS.

TWO US COMPANIES (ABBOTT AND SQUIBB) WHICH HAD
INVESTMENTS IN THIS FIELD HAVE BEEN FORCED TO WITHDRAW

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 03344 280544Z

FROM TURKEY. TWO OTHER COMPANIES, (PFIZER AND WYETH)

REPORT THAT IT IS EXTREMELY DIFFICULT TO CONTINUE TO DO BUSINESS IN TURKEY BECAUSE OF THE FINANCIAL SQUEEZE THAT THEY ARE IN.

B. WITH REGARD TO MOBIL, I DESCRIBED THE DIFFICULTY THAT THE COMPANY HAS REPORTED FOR THE PAST SEVERAL YEARS. THE PRICE ESTABLISHED BY THE GOVERNMENT OF TURKEY TO BE PAID FOR IMPORTS OF CRUDE PETROLEUM IS UNDERSTOOD TO BE LESS THAN THE PRICE ESTABLISHED INTERNATIONALLY FOR CRUDE PETROLEUM AND LESS EVEN THAN THE PRICE AT WHICH THE GOVERNMENT OF TURKEY BUYS CRUDE PETROLEUM. MOBIL STATES THAT IT CANNOT CONTINUE TO IMPORT CRUDE PETROLEUM SUFFERING A SUBSTANTIAL LOSS ON EACH BARREL IT IMPORTS.

C. THE CPC INTERNATIONAL COMPANY IS IN A PARTICULARLY DIFFICULT SITUATION. IT MADE A SIGNIFICANT INVESTMENT IN TURKEY SOME YEARS AGO AFTER THE GOVERNMENT OF TURKEY HAD APPROVED TO PROPOSED INVESTMENT BY THE ISSUANCE OF A DECREE. AFTER THE INVESTMENT WAS MADE, HOWEVER, THE DECREE WAS CANCELLED BECAUSE OF A SUIT BROUGHT BY A COMPETITOR. CPC INTERNATIONAL IS NOW FACED WITH THE THREAT THAT IT MUST LIQUIDATE ITS INVESTMENT IN ITS TURKISH AFFILIATE AND DEPOSIT THE PROCEEDS IN A BLOCKED ACCOUNT IN THE CENTRAL BANK. IT HAS FOR THE PAST TWO YEARS MADE EVERY EFFORT TO OBTAIN THE ISSUANCE OF A NEW INVESTMENT DECREE UNDER CONDITIONS SATISFACTORY TO THE GOVERNMENT OF TURKEY. HOWEVER, IT HAS THUS FAR HAD NO SUCCESS.

D. I ALSO MENTIONED THAT CANCELLATION BY THE GOT AGENCY, SOIL PRODUCTS OFFICE, OF A SIZEABLE CONTRACT WHICH IT HAD MADE WITH CONTINENTAL GRAIN FOR THE PURCHASE OF WHEAT. THE CONTRACT WAS MADE AT A TIME WHEN WHEAT WAS SCARCE. HOWEVER, THE SUPPLY SITUATION CHANGED BEFORE THE DELIVERY DATE UNDER THE CONTRACT AND THE PRICE OF WHEAT DROPPED SHARPLY. THE GOT HAD INTERVENED CAUSING THE CANCELLATION OF WHAT WAS A FIRM AND VALID CONTRACT. THE MATTER THEN WENT TO ARBITRATION AND AN AWARD OF APPROXIMATELY \$40 MILLION WAS MADE IN FAVOR OF THE US FIRM. HOWEVER THE GOT APPEALED THE AWARD AND THIS LONG LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ANKARA 03344 280544Z

STANDING ISSUE IS STILL UNRESOLVED. CONTINENTAL GRAIN IS CONTINUING TO APPROACH THE US GOVERNMENT SEEKING ASSISTANCE IN RESOLVING THIS MATTER. SENIOR OFFICIALS OF THE COMPANY WOULD, I NOTED, LIKE TO COME TO TURKEY TO DISCUSS THIS MATTER WITH THE PRIME MINISTER.

2. ELEKDAG LISTENED TO THE ABOVE PRESENTATION AND SAID THAT HE WOULD LOOK INTO EACH OF THE CASES. HOWEVER, THE

FOREIGN MINISTRY ITSELF COULD DO LITTLE ABOUT THESE MATTERS WHICH DEPENDED UPON OTHER MINISTRIES. HE MADE THE FOLLOWING SPECIFIC COMMENTS:

A. THE PHARMACEUTICAL INDUSTRY IN TURKEY HAS MANY PROBLEMS. TURKISH FIRMS IN THIS FIELD COMPLAIN OF THE SAME DIFFICULTIES AS THE FOREIGN OWNED FIRMS. THE PROBLEM HAS TWO CASUSE-(1) THE DECISION OF THE GOVERNMENT OF TURKEY TO CONTROL PRICES FOR SOCIAL REASONS AND (2) TURKEY'S COLLECTIVE BARGAINING LAW (WHICH ELEKDAG NOTED HAD BEEN PREPARED WITH US EXPERT ADVICE MANY YEARS AGO). THE COLLECTIVE BARGAINING LAW HAD BROUGHT ADVANTAGES TO TURKEY IN THAT IT PREVENTED THE FORMATION OF REVOLUTIONARY UNIONS. HOWEVER, THE CONSEQUENCE IS THAT THE UNIONS ARE CONTINUALLY TRYING TO GET A LARGER SHARE OF THE NATIONAL INCOME. ELEKDAG REFERRED TO HIS RECENT EFFORTS TO ASSIST PFIZER OFFICIALS IN GETTING A HEARING FOR THEIR COMPLAINTS, WHEN HE MADE AN APPOINTMENT FOR THEM WITH THE MINISTER FOR HEALTH. ELEKDAG SAID HE FELT THAT THERE WAS NO DISCRIMINATION TOWARDS FOREIGN FIRMS AS DOMESTIC FIRMS FACED THE SAME PROBLEMS. I POINTED OUT THAT THE US FIRMS IN THIS FIELD FELT THAT THERE IS INDEED A DIFFERENCE IN TREATMENT. THEY HAVE LESS FLEXIBILITY THAN TURKISH DOMESTIC PHARMACEUTICAL FIRMS, FOR EXAMPLE TO INTRODUCE NEW PRODUCT LINES, WHICH IS A TRADITIONAL WAY OF INCREASING INCOME.

B. ELEKDAG SAID THAT THE PETROLEUM INDUSTRY IS IN A DIFFICULT POSITION BECAUSE THE GOVERNMENT HAS GIVEN A COMMITMENT NOT TO INCREASE OIL PRICES. THE GOVERNMENT IS ALREADY PAYING A SUBSTANTIAL SUBSIDY TO KEEP DOWN THE PRICE OF PETROLEUM PRODUCTS. HOWEVER HE CAN EASILY UNDERSTAND WHY MOBIL IS MAKING COMPLAINTS. IT IS A BUSINESS FIRM, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ANKARA 03344 280544Z

AND NOT THE RED CROSS, THEREFORE, IT MUST GET A REASONABLE RETURN ON ITS MONEY. ELEKDAG PROMISED TO LOOK INTO THE MOBIL CASE WITH THE INTERESTED MINISTRY.

C. ELEKDAG SAID THAT THE CPC CASE BOTHERS TAM VERY MUCH-THERE SHOULD NOT BE UNFAIR TREATMENT SUCH AS I HAD DESCRIBED TO HIM. IF SUCH WERE THE CASE, IT WOULD NOT HELP TURKEY IN ITS OBJECTIVE OF ATTRACTING FOREIGN INVESTMENT.

D. ELEKDAG LISTENED TO MY COMMENTS ABOUT CONTINENTAL GRAIN BUT DID NOT MAKE ANY SUBSTANTIVE COMMENT.

3. I AGREED WITH ELEKDAG'S POINT ABOUT THE HARMFUL EFFECT ON TURKEY'S POLICY OF ATTRACTING FOREIGN INVEST-

MENT. I SAID THAT I WAS VERY MUCH WORRIED ABOUT THE PROBLEMS OF THE INDIVIDUAL FIRMS BUT THAT I WAS ALSO WORRIED ABOUT THE CONSEQUENCES IF THERE SHOULD BE AN EXODUS OF A GROUP OF US COMPANIES FROM TURKEY AT THIS PARTICULAR TIME. ELEKDAG SAID HE FULLY AGREED AND WOULD HAVE A MEMORANDUM ON THIS SUBJECT BROUGHT TO ATTENTION WITHIN THE TURKISH GOVERNMENT.

4. I ALSO TOOK THE OCCASION AGAIN TO PRESS ELEKDAG FOR SOME PROGRESS ON SEVERAL OTHER MATTERS, E.E., THE APO, CUSTOMS CLEARANCE FOR TRANSFERS OF PROPERTY AMONG US MILITARY PERSONNEL, AND WITH RESPECT TO THE "ANTAKAYA THREE." HE SAID THAT THE CUSTOMS CLEARANCE AND TRANSFER PROBLEM HAD BEEN SETTLED BY THE PRIME MINISTER IN OUR FAVOR AND APPROPRIATE IMPLEMENTING ORDERS WOULD SOON BE GOING TO THE LOCAL CUSTOMS OFFICIALS. HE HAD NO PROGRESS TO REPORT ON THE OTHER SUBJECTS.
MACOMBER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, BUSINESS FIRMS, PRICE TRENDS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ANKARA03344
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760162-0233
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760420/aaaaaqkp.tel
Line Count: 187
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2004 by ellisoob>; APPROVED <22 OCT 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROBLEMS OF US BUSINESS FIRMS IN TURKEY
TAGS: BDIS, BGEN, EFIN, TU, US, ABBOTT, SQUIBB
To: SECSTATE WASHDC ADANA ISTANBUL IZMIR
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006